

Service Date: November 14, 1990

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application of)	
MONTANA-DAKOTA UTILITIES COMPANY, a)	UTILITY DIVISION
Division of MDU Resources Group,)	
Inc., for Authority to Implement the)	DOCKET NO. 90.5.28
Gas Cost Tracking Procedure to Estab-)	
lish Decreased Rates for Gas Service.)	ORDER NO. 5476a
_____)	

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FINAL ORDER

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FINDINGS OF FACT

On May 3, 1990, the Montana-Dakota Utilities Company (Company or MDU) filed with the Montana Public Service Commission (PSC or Commission) its biannual application to implement the Gas Cost Tracking Procedure as set forth in MDU tariff sheets 87 and 88. The filing was given the Docket No. 90.5.28. The Company requested the Commission issue a Final Order allowing the adjustment to be implemented effective June 1, 1990, subject to Federal Energy Regulatory Commission (FERC) approval of the wholesale gas cost changes of Williston Basin Interstate Pipeline Company (WBIP).

On June 1, 1990, the Commission approved Interim Order No. 5476, which resulted in no change in rates for MDU's natural gas service.

The tracking procedure provides for adjusted rates on the basis of a Current Gas Cost Tracking Adjustment and an Unreflected Gas Cost Tracking Adjustment amortized over a projected six-month sales period.

The Unreflected Gas Cost Adjustment filed by MDU includes two unusual items; a PSC Tax refund, and deferred revenues plus interest authorized by the Order on Reconsideration in Docket No. 88.11.53. These items are discussed below.

When the PSC Tax rate decreased in August of 1989, all utilities were required to reduce rates to reflect the impacts of the decrease. In an effort to reduce filing costs, MDU was allowed to defer recognition of this change until a later date. The change was later recognized in conjunction with Order No. 5399b. Additionally, the Commission required MDU to track the difference with interest and refund those amounts in an upcoming tracker filing through the Unreflected Gas Cost Adjustment.

In Order No. 5399d The Commission authorized MDU to increase its rates by \$38,000 on an annual basis at the time of the next tracker filing. To compensate the Company for foregone revenues associated with the delayed implementation of the rate change, MDU was allowed to track the difference and accrue interest on that difference. MDU has included the difference plus interest in the Unreflected Gas Cost Adjustment. The authorized \$38,000 increase has been reflected in this filing as well.

On March 30, 1990, April 19, 1990, and April 25, 1990, MDU received three refunds from WBIP totaling \$11,065,102 on a total Company basis. The refunds covered time periods dating back as far as to January 1, 1985, and ending as recent as April 25, 1990. The Company did not reflect the full effect of these refunds in its filing due to the recent receipt of the refunds and the lack of a detailed refund plan. The Company stated that it would submit a detailed refund plan for Commission consideration by June 15, 1990.

The Commission received MDU's proposed refund plan on June 18, 1990. Under MDU's proposal, those refunds not returned in this proceeding would be returned to customers in the upcoming fall tracker proceeding. The Company stated that the original refund amounts are now known to be excessive and that the Company will inform the Commission when the actual refund amounts are known.

In its application, MDU discusses the various WBIP filings before the FERC that have occurred since the time when the Commission established MDU's present gas cost tracking adjustment level. In addition, MDU notes that it was successful in negotiating a \$.07 reduction in the price paid to an alternate gas supplier. After including the amortization of the Unreflected Gas Cost Account, the net effect of these changes is an increase of \$.148/dk for residential and general service customers and an increase of \$.195/dk for industrial customers. These changes would result in approximately \$384,000 in increased revenues over the June 1, 1990 through November 30, 1990 effective period. The proposed increases are calculated in the following table:

	<u>Residential and Commercial</u>	<u>Industrial Customers</u>
Current Gas Cost Adjustment	(\$0.225)	\$0.096
Unreflected Gas Cost Adjustment	<u>0.035</u>	<u>0.000</u>
Total Tracking Adjustment	(\$0.190)	\$0.096
Less: Total Tracking Adjustment - Current	<u>(0.338)</u>	<u>(0.099)</u>
Net Increase in Current Rates	\$0.148 =====	\$0.195 =====

As an alternative, the Company proposed no change in rates be made on June 1, 1990. Under the alternate proposal, MDU would recognize the change in current gas costs and the change in the Unreflected Gas Cost Adjustment for accounting and reporting purposes. The indicated increase of \$.148/dk for residential and general service

customers and \$.195/dk for industrial customers would not be implemented as an increase in rates but would be considered a partial refund to sales customers until such time as a formal refund plan is adopted by the Commission. Additionally, the Company would continue to defer the previously mentioned \$38,000 revenue increase and track the difference with interest for implementation at the next change in gas rates.

The Commission found MDU's alternate proposal to be proper and approved that option in Interim Order No. 5476. The Commission found the alternate proposal desirable because it aids rate stability by holding rates at present levels while still allowing some portion of the refunds to flow through currently to the Company's customers. Also in Interim Order No. 5476, the Commission permitted MDU to track the revenues plus interest associated with the authorized \$38,000 revenue increase which has not yet been implemented.

In the interim order, the Commission found that the unreturned balance of refunds must also be tracked by MDU and that interest must be accrued monthly at the Company's currently authorized overall rate of return, 10.828 percent on an annual basis. The Company received the last of the three refunds from WBIP on March 25, 1990. The Commission stated that interest shall be accrued from that date until the refunds have been returned to MDU's customers.

MDU requested that the interest provisions of Interim Order No. 5476 be suspended. The Company proposed that it invest the refunds and pay interest at the rate

equal to the actual returns earned on such investment. A Notice of Commission Action was issued on July 9, 1990, denying MDU's request.

The Commission issued a Notice of Opportunity for Public Hearing on July 9, 1990. The Notice stated that if any person having proper standing requested a hearing by August 10, 1990, the Commission would schedule such a hearing. Since no requests for hearing were received, the Commission is now issuing Final Order No. 5476a.

Based on the above discussion of the facts presented in this docket, the Commission gives final approval to all determinations made in Interim Order No. 5476 and the Notice of Commission Action issued on July 9, 1990.

Those WBIP refunds that have not been passed on in this proceeding to MDU's customers, including contract industrial customers, will be considered in the Company's fall tracker proceeding, which is scheduled to be filed November 1, 1990.

MDU's request that the current filing be accepted as being in full compliance with the filing requirements of the Commission is approved.

CONCLUSIONS OF LAW

Applicant, Montana-Dakota Utilities Company, provides natural gas service within the State of Montana and as such is a "public utility" within the meaning of Section 69-3-101, MCA.

The Montana Public Service Commission properly exercises jurisdiction over the Applicant's Montana rates and operations pursuant to Title 69, Chapter 3, MCA.

The Commission has provided adequate notice of all proceedings and opportunity to be heard to all interested parties in this docket. Title 2, Chapter 4, MCA.

The rate levels and spread approved herein are just, reasonable, and not unjustly discriminatory. Section 69-3-330, MCA

ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

Applicant, Montana-Dakota Utilities Company, is hereby granted no change in rates so that a partial refund may be made to the Company's customers.

MDU must track and accrue compound interest monthly on the balance of the three refunds received from WBIP. Interest shall be accrued from March 25, 1990, until the refunds have been fully returned to the Company's customers. Interest shall be applied at the Company's approved overall rate of return, 10.828 percent on an annual basis.

MDU is permitted to continue to defer implementation of the \$38,000 increase authorized in Order No. 5399d. The Company is authorized to track the foregone revenues and accrue compound interest on the monthly balances resulting from the deferral. Interest shall be applied at the Company's approved overall rate of return, 10.828 percent on an annual basis.

The Commission accepts MDU's request that this is a complete filing and is in full compliance with the filing requirements of the Commission.

DONE IN OPEN SESSION at Helena, Montana, this 8th day of November, 1990,
by a 5-0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

HOWARD L. ELLIS, Chairman

DANNY OBERG, Vice Chairman

WALLACE W. "WALLY" MERCER, Commissioner

JOHN B. DRISCOLL, Commissioner

REX MANUEL, Commissioner

ATTEST:

Ann Peck
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.